

HR&A ADVISORS SCOPE OF SERVICES

Project Approach

As described further below, HR&A proposes to complete this scope of services within six months of project commencement, on or around July 15, 2016. We are committed to dedicating staff resources to complete this project on time and on budget, with a work product that fully meets the City of Raleigh's expectations. To ensure the project proceeds on schedule and issues can be addressed as they arise, we propose supplementing in-person client meetings and workshops with a weekly or biweekly conference call with the City's project manager, which we have found an effective project management tactic in the past. We also believe that structuring the project as four discrete phases of work, each concluding with a concrete deliverable that builds to the final strategic plan, provides a valuable organizing structure to the assignment that will facilitate maintenance of the project schedule. These four phases are described below:

Phase 1: Kick-Off and Due Diligence: The first phase will begin with a client kick-off conference call to coordinate project logistics. Our team will also perform necessary due diligence during this phase, including: aggregating the inventory of the subject City properties; generating initial valuations for the properties; conducting a review of relevant statutes; and synthesizing policy guidance for the sites offered by previous plans, policies, and studies. This effort will make use of recent market reconnaissance completed by HR&A without the need for additional detailed market analysis. Our team will summarize this analysis in an interim memo to the client that will inform the engagement in Phase 2.

Phase 2: City, Stakeholder, Council, and Community Priorities: In Phase 2, our team will design and execute a series of stakeholder engagement meetings designed to solicit opinions from City staff, the City Council, Downtown stakeholders, and the community at large on priorities that should be accomplished through disposition of City-owned parcels. We will bring focus to these discussions by leveraging our findings from Phase 1 and work on the *Downtown Experience Plan* to provide program and disposition hypotheses for participants to react to in articulating their priorities. We will summarize the findings of our engagement and their implications for site disposition in a second interim memo.

Phase 3: Site Redevelopment Programs: Based on input produced in Phases 1 and 2, the HR&A team will develop alternative redevelopment scenarios for each of the City parcels. These scenarios will be based on conceptual site programs developed in response to market dynamics, zoning, and other public policies. For each alternative scenario, our team will describe the public priorities accomplished by the alternative, estimate City revenues expected to accrue from property disposition and future tax revenues, and articulate the disposition mechanism and legal authority. We will summarize our findings in an interim report that helps clarify the "highest and best use" for each site and serves as the basis for a workshop with the City team to prioritize a development framework for each site.

Phase 4: Coordinated Disposition Strategy: In the final phase of the project, the HR&A team will produce a phased disposition strategy that supports the community's overall vision for Downtown development and realization of public policy priorities. This strategy will recognize that staff, resource, and market capacity require careful phasing of the disposition of each site, coordinated with an appropriate statutory vehicle. We will present our disposition strategy for review and comment by City staff as well as community stakeholders before finalizing the report for consideration by the City Council.

Detailed Scope of Services

Phase 1: Kick-Off and Due Diligence

Task 1.1: Project Kick-Off Conference Call

Shortly after receiving notice to proceed, the HR&A team will hold a project kick-off conference call with the City of Raleigh to discuss project goals and objectives, align on a check-in and deliverable schedule, discuss preferred

means of community and stakeholder engagement, and confirm all relevant policy documents and data available from the City that should be reviewed in the course of our study.

Within this conversation, the consultant team will also work with the City to refine focus group outreach strategies identified in the RFQ and discuss how resulting input will be integrated into the strategic plan. The HR&A team, supported by Planning Communities, will prepare a strategy for stakeholder focus group discussions and public outreach. A key facet of this preparation will include the design of specific discussion prompts for City, Downtown Stakeholder, and community audiences that build off the information on priorities gleaned from the due diligence in Phase 1 and the recent Downtown planning process.

Task 1.2: Property Inventory and Preliminary Valuation

Immediately following the kick-off meeting, the HR&A team will detail to the City team the information needed regarding the City's properties so that the City can assemble all required data. The goal of this compilation is to derive a comprehensive assessment of existing conditions and market value for the sites that will inform the articulation of alternative development frameworks later in the project. We will work with the City to produce a matrix containing pertinent data for each site, such as the property acreage, transportation access, current zoning and proposed zoning under the new UDO, property encumbrances, presence of historic resources, and environmental contamination issues. Data to be collected will also include all available detail on previous transactions of the properties and any limitations this places on future use.

HR&A will generate a high level estimated value for each site. HR&A will draw on its recent experience conducting market analyses of multiple asset classes in Downtown Raleigh on behalf of the City of Raleigh and State of North Carolina without the need for additional detailed market analysis as part of the current study. We will supplement this knowledge through research into recent and pending comparable land transactions in the vicinity and conversations with local brokers and developers. While not a formal appraisal, this valuation exercise is intended to produce preliminary "baseline" market values for the sites, to be refined following our site visit through pro forma financial modeling as we assess how the incorporation of public benefits (e.g. affordable housing, open space, and other prescribed uses) affects land value to the City.

Task 1.3: Legal Review

Parker Poe will lead a preliminary legal analysis designed to identify for HR&A viable statutory mechanisms for the disposition of City property. Parker Poe will conduct a review of relevant chapters of the North Carolina General Statutes to advise HR&A on statutory mechanisms for disposition of City property. This preliminary legal review will enable Parker Poe to address specific questions and issues posed by HR&A during the project about statutory disposition mechanisms.

Task 1.4: Policy Review

The HR&A team's policy review builds upon the depth of previous and ongoing policy guidance and planning studies undertaken by the City of Raleigh, such as the Comprehensive Plan, Downtown Plan, the municipal facilities assessment and planning studies for key projects and districts. Working from documents to be provided by City staff, our team will develop an initial record of the City's goals, both in the aggregate and for these specific properties, and determine ways for these sites to facilitate goal achievement. The read-out of policy guidance we produce will provide a critical discussion prompt for stakeholder and community engagement, which will provide a forum for testing the existing policy guidance.

Phase 1 Deliverable: The HR&A team will provide a brief interim memo to the City of Raleigh describing how the analysis completed to date – the property inventory, valuation, statutory review, and policy review – bears on the City’s disposition options. The memo will be backed by an appendix that includes our property inventory matrix, valuation exercise results, and policy review findings.

Phase 2: City, Stakeholder, Council, and Community Priorities

Task 2.1: Site Tour and City Agency Engagement

The HR&A team will travel to Raleigh to participate in a site tour with City representatives and host up to two round-table discussions with City of Raleigh departments. The site tour with members of the HR&A team will further ground our team in the on-the-ground physical and market realities of the sites and allow us to revise the baseline valuation estimates accordingly. City agency conversations will focus on understanding their priorities for the properties and ensuring that the disposition process bears in mind their concerns. To focus these discussions, we will submit our questions to interviewees in advance, along with the results of our policy review and current understanding of City goals and objectives. We will rely upon the City to manage roundtable scheduling.

Task 2.2: Downtown Stakeholder and City Council Engagement

During the same trip to Raleigh, we will also facilitate up to five individual and round-table discussions with downtown stakeholders, including the Downtown Raleigh Alliance, Chamber of Commerce, and interest groups like the Retail Task Force, affordable housing advocates, and tourism and convention advocates. Our team will prepare a detailed approach for the discussions, including recommended stakeholder groupings based on both interest and geography, facilitation plans for the discussions, required materials, a schedule, and strategy for inviting downtown stakeholders to the discussions. We will rely upon the City to manage meeting scheduling. In addition to these stakeholder roundtables, we will also hold a presentation with the Raleigh City Council in order to understand the Council’s priorities for the disposition of City-owned property.

The purposes of the discussions will be to present the intent of the strategic plan, share the information gathered during the policy review, and understand the priorities of downtown stakeholders and the Council to guide the disposition strategy. We will prompt the participants, many of whom are immersed in conversations about policy priorities for Downtown’s future, with program and disposition hypotheses to ensure a robust discussion. Information collected as a result of the focus groups will be used to define the issues and opportunities to be addressed in the strategic plan.

Task 2.3: Community Engagement

The HR&A team will also assist City staff in hosting a public meeting open to members of Downtown neighborhoods as well as residents of the broader City of Raleigh. Planning Communities and HR&A will support City of Raleigh staff in facilitating this meeting, first presenting an overview of the study and existing policy guidance, and subsequently leading a series of small group exercises focused on generating priorities. Our team will use a facilitated discussion approach including opportunities to interact with and draw on maps and photographs to engage participants in hands-on activities. We will rely upon the City to manage scheduling, logistics and publicity for the public meeting.

Task 2.4: Site Prioritization

The HR&A team will work with the City to break the sites identified for analysis into two categories. The first category, “Focus Sites”, will include up to five priority sites for detailed analysis within Phase III. Criteria for

selection may include scale of opportunity, level of priority, potential value, complexity of reuse, or other factors of concern for the City. The second category, “Disposition Sites”, will include the rest of the properties identified by the City, which will be subject to a higher level analysis within Phase III.

Phase 2 Deliverable: The HR&A team will provide a second interim memo to the City of Raleigh that summarizes the priorities communicated by City staff, downtown stakeholders, City Council, and the community at large. These priorities will critically inform site prioritization and subsequent definition of alternative redevelopment programs and strategies for focus sites.

Phase 3: Site Redevelopment Programs

Task 3.1: Definition of Focus Site Redevelopment Scenarios

Based on input received on priorities, market realities, and physical constraints, the HR&A team will develop and test up to two alternative program concepts for each of the five Focus Sites under consideration. The first scenario will reflect highest and best use under strictly market-based conditions. The second scenario will integrate City policy priorities for each site. Scenarios may differ in the primary types of uses incorporated into the sites, development densities contemplated, and specific City objectives addressed (e.g. incorporation of affordable housing, neighborhood amenities, etc.). The program ideas for the five sites will be verified through high-level “test-fits” conducted by Sasaki that test the program against site development capacity, desirable densities and scale within each site’s context. Any modifications to the high-level test fits requested will constitute additional services, as described below.

Task 3.2: Refined Analysis of Focus Site Alternatives

HR&A will utilize pro forma financial analysis to provide an opinion of the range of supportable land value resulting from the articulated redevelopment scenarios. HR&A will develop a financial model that utilizes market-driven assumptions regarding project revenues and expenses, development costs for comparable building types, potential sources of project funding, and private investment return requirements. Where opportunities may exist, our analysis will also consider the value add dynamics of purchasing adjacent sites to create larger assemblages for disposition. HR&A will also speak to select local developers to validate revenue and cost estimates, as necessary. HR&A’s analysis will also identify City tax revenues impacts associated with each program. In addition to this quantitative analysis, our team will describe the specific public priorities accomplished by each alternative concept and recommend a preferred statutory mechanism for the disposition of each site.

The summarized analysis produced by our team will constitute a “highest and best use analysis” for each site that reflects a normative perspective absent from pure market and feasibility analysis. The most lucrative program in terms of land value for a given site may not accomplish other policy goals, such as job creation, retail revitalization, or affordable housing. The final determination of the highest and best use for each site, to be discussed and confirmed with City staff in Task 3.3, will be driven by the interaction and prioritization of public policy objectives, market factors and limitations, regulatory frameworks and maximum value and/or profit.

Task 3.3: Development Framework Prioritization

The HR&A team will present our alternative analysis and facilitate a workshop with City staff intended to reach consensus on a preferred development alternative for Focus Sites, as well as the appropriate sequencing and disposition mechanism for Focus and Disposition Sites.

Phase 3 Deliverable: The HR&A team will deliver a third interim deliverable summarizing the parameters of the site programs and alternative analysis results, including land value generated, fiscal benefits, and public priorities met. This deliverable will be used to facilitate the City staff workshop focused on selecting preferred redevelopment alternatives. Following the workshop, we will provide a refined deliverable reflecting comments received.

Phase 4: Coordinated Disposition Strategy

Task 4.1: Formulation of Disposition Strategy

Building off the guidance provided by the workshop with City staff, the HR&A team will prepare a comprehensive disposition strategy for the City's properties. The strategy will include:

- The recommended future use of each site – including Focus and Disposition Sites – and alignment of this use with public policy priorities;
- The recommended statutory and marketing vehicle for each disposition;
- Identification of any neighboring sites that should be incorporated into an assemblage by the City and, for Focus Sites, the estimated cost of acquisition;
- A sequence for the recommended timing of disposition for each site, identifying which properties should be disposed of in the near-term during the current market cycle and which should be held for future disposition. This strategy will recognize the need to maintain flexibility in the face of changing market conditions. It will also bear in mind that some catalytic opportunities may take time and resources to realize (such as the location of a corporate headquarters), while the disposition of other sites should be strategically phased in coordination with other infrastructure or private investment; and
- An estimate of the net present value of land proceeds and tax revenues associated with the disposition strategy.

We will hold a conference call with City staff to discuss the strategy and refine as necessary before the public review period.

Task 4.2: Stakeholder Presentation and Disposition Strategy Finalization

The HR&A team will present the Strategy at a final public meeting organized and facilitated by the City to engage downtown stakeholders and residents from across the City in review of the draft disposition strategy. Stakeholder feedback will be considered in refining recommendations and finalizing the strategy.

Task 4.3: City Council Presentation

HR&A will be available to present the strategy to the City Council.

Phase 4 Deliverable: HR&A will provide a draft and then final version of the disposition strategy as described above. The document will be presented in a concise and accessible format, augmented by graphics and charts as appropriate to aid readability and comprehension.

Project Schedule

The HR&A team proposes to complete the study within six months of project initiation. Assuming notice-to-proceed by January 20, we intend to complete Phase 1 after five weeks, Phase 2 after nine weeks, Phase 3 after 17 weeks, and Phase 4 and the entire project after 25 weeks. A detailed schedule is presented below:

